

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 ACDA-07 TRSE-00 EB-07 OMB-01 IO-13
/086 W

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P R 161752Z JUN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 9134
INFO AMEMBASSY BERLIN
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY ROME
AMEMBASSY PARIS
USMISSION USBERLIN
USMISSION NATO
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
AMCONSUL STUTTGART

C O N F I D E N T I A L SECTION 01 OF 02 BONN 10163

E.O. 11652: GDS
TAGS: PINT, PINR, GW
SUBJECT: GOVERNMENT SQUEAKS BY WITH ITS TAX BILL

REFS: A. BONN 10036; B. BONN 09830

BEGIN SUMMARY: THE RULING SPD/FDP COALITION SQUEAKED
THROUGH IN THE JUNE 16 BUNDESTAG VOTE ON ITS PROPOSED
TAX BILL. THIS WAS A NARROW AND A COSTLY VICTORY FOR THE
SPD AND THE COALITION. WHILE ALL FDP DEPUTIES VOTED IN
FAVOR, FIVE LEFT-WING SPD DEPUTIES BOLTED RANKS AND
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EITHER ABSTAINED OR VOTED WITH THE OPPOSITION CDU/CSU
AGAINST THE BILL. THE BUNDESRAT WILL BEGIN CONSIDER-
ATION OF THE BILL ON JUNE 24, AT WHICH TIME THE FDP'S
ABILITY TO DELIVER ITS SHARE OF VOTES IN THE SAARLAND
AND LOWER SAXONY WILL BE PUT TO THE TEST. END SUMMARY.

1. AS EXPECTED, THE JUNE 16 BUNDESTAG DEBATE ON THE

SPD/FDP TAX PACKAGE PRODUCED A NARROW VICTORY FOR THE COALITION. THE FINAL VOTE WAS 248 VOTES IN FAVOR (ONE SHORT OF AN ABSOLUTE MAJORITY), 245 OPPOSED (INCLUDING TWO SPD DEFECTORS, HANSEN AND COPPIK), AND THREE ABSTENTIONS (ALL SPD). AS NOTED EARLIER (REFS), THE TAX PACKAGE COVERS A NUMBER OF TECHNICAL ISSUES, WHICH IN EFFECT REPRESENT A COMPROMISE BETWEEN TWO CRITICAL PROPOSALS: (A) TO RAISE THE VALUE-ADDED TAX AND (B) TO LOWER THE TAX ON PROPERTY. THIS PACKAGE HAD BEEN PUT TOGETHER DURING THE SPD/FDP COALITION NEGOTIATIONS LAST FALL AND FORMALLY BLESSED BY THE GOVERNMENT STATEMENT OF LAST DECEMBER 16. SEVERAL COALITION SPEAKERS IN TODAY'S DEBATE EMPHASIZED THAT THE PACKAGE WAS A COMPROMISE WHICH DID NOT COMMAND THEIR FULL ENTHUSIASM BUT WHICH HAD TO BE SUPPORTED. FOR EXAMPLE, SPD SPEAKER BOEHME SAID THAT HIS FRAKTION WOULD VOTE FOR THE BILL DESPITE THE PROPERTY TAX PROPOSAL, IN ORDER TO PRESERVE THE SOCIAL-LIBERAL COALITION. SIMILARLY, INGRID MATTHAEUS OF THE FDP ACKNOWLEDGED THAT SHE AND SEVERAL COLLEAGUES HAD ARGUED AGAINST THE PROPERTY TAX PROPOSAL LAST YEAR BUT WOULD VOTE FOR THE PACKAGE IN ORDER THAT THE GOVERNMENT COULD KEEP ITS PLEDGE.

2. INDICATIVE OF THE IMPORTANCE ATTACHED TO THIS VOTE, ALL DEPUTIES ATTENDED AND VOTED IN THIS DEBATE (WITH ONE EXCEPTION NOTED BELOW). THE CDU/CSU CONSISTENTLY PRODUCED 243 VOTES AGAINST ALL PARTS OF THE BILL. THE ENTIRE FDP FRAKTION SUPPORTED THE PACKAGE. THE REAL PROBLEM, AS EXPECTED, LAY IN THE SPD. IT SUFFERED AN

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EMBARRASSING CONTRETEMPS IN AN EARLY VOTE WHEN A DEPUTY FAILED TO APPEAR IN TIME TO CAST HIS BALLOT. IN THE END, FIVE LEFT-WING DEPUTIES (SCHOEFBERGER, COPPIK, HANSEN, MEINKE, AND WALTEMATHE) BROKE RANKS AND EITHER ABSTAINED OR JOINED THE CDU/CSU IN VOTING AGAINST BOTH THE PROPERTY TAX ARTICLE AND THE ENTIRE TAX PACKAGE. (REMARKABLY, NONE OF THEM CAME FROM SCHLESWIG-HOLSTEIN, WHOSE LAND ORGANIZATION HAS RECENTLY CREATED SEVERE PROBLEMS FOR HELMUT SCHMIDT AND THE NATIONAL SPD.) THE DEFECTORS WERE MAINLY UNWILLING TO RAISE VALUE-ADDED TAXES WHILE REDUCING TAXES FOR PROPERTY HOLDERS. HOWEVER, TWO OF THEM (MEINKE AND WALTEMATHE) IN EFFECT ASSURED THE SPD/FDP OF A NARROW FINAL VICTORY BY ANNOUNCING IN ADVANCE THAT THEY WOULD ABSTAIN, RATHER THAN VOTE AGAINST THE BILL. PRIOR TO THE FINAL VOTE, FOUR OF THE FIVE REBELS MADE SHORT STATEMENTS OF INTENT AND PLACED FULLER REMARKS INTO THE RECORD.

3. THE TAX BILL NOW GOES TO THE BUNDESRAT, WHICH WILL REVIEW IT ON JUNE 24 AND PRESUMABLY AGAIN ON JULY 15, ITS LAST MEETING BEFORE THE SUMMER BREAK. IN THAT PERIOD, THE FEDERAL AND STATE GOVERNMENTS WILL BEGIN A CRITICAL NEGOTIATION TO REDISTRIBUTE CERTAIN TAX REVENUES. HOWEVER, THE POLITICAL FUTURE OF THE BILL NOW

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 10163

DEPENDS IN LARGE MEASURE ON WHETHER THE FDP CAN USE ITS COALITION LEVERAGE IN THE SAARLAND AND LOWER SAXONY TO PRODUCE VOTES IN THE BUNDESRAT.

4. THE GOVERNMENT'S VICTORY IN THE BUNDESTAG DEBATE TODAY WAS NOT WITHOUT GREAT COST. A VAST RESIDUE OF

BITTER FEELING BETWEEN THE COALITION FRAKTIONEN HAS BEEN LEFT BEHIND, EVEN THOUGH MOST COALITION SPEAKERS AVOIDING TAKING PUBLIC SWIPES AT EACH OTHER IN THE DEBATE.
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THE DECISION TO ALLOW THE FIVE SPD REBELS TO MAKE SEPARATE STATEMENTS WAS PART OF THE PRICE THAT HAD TO BE PAID TO ASSURE PASSAGE. MOREOVER, THE GOVERNMENT'S FAILURE TO OBTAIN AN ABSOLUTE MAJORITY OF VOTES FOR ITS TAX BILL, THOUGH NOT NEEDED FOR PASSAGE, REPRESENTS A PSYCHOLOGICAL BLOW IN THAT IT IMPLIES THAT SCHMIDT NO LONGER COMMANDS AN ABSOLUTE MAJORITY IN THE BUNDESTAG. THE NEXT TWO WEEKS BEFORE THE SUMMER RECESS WILL BRING THE GOVERNMENT FURTHER TRIALS IN THE BUNDESTAG: E.G., DEBATES ON THE BUDGET AND ON THE CDU/CSU MOTION OF CENSURE AGAINST SCHMIDT'S PERFORMANCE WHILE FINANCE MINISTER IN 1973/74. THIS MEANS THAT THE SPD AND FDP LEADERSHIPS WILL NEED ALL THEIR SKILLS -- AND LUCK -- TO KEEP POTENTIAL DEFECTORS IN LINE AND MAINTAIN THEIR PRECARIOUS CONTROL OF THE BUNDESTAG.
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